



► Research Brief

May 2023

A COVID-19 retrospective: How is the garment sector in Asia rebuilding?*

Key points

- ▶ Even though the Asian garment sector added 2.3 million jobs in 2021, this has not yet offset the unprecedented losses of 2020, which totalled 3.7 million jobs.
- ▶ East Asia has helped drive the sector's jobs recovery, helping slow what had been a downward trend in garment employment in the years preceding the pandemic. Garment employment in South-East Asia and South Asia also saw some recovery during the post pandemic period.
- ▶ Male employment started to grow again in 2021, soon surpassing pre-crisis levels. In contrast, female employment remained 4.2 per cent below pre-crisis levels in 2021, after falling sharply (by 6.9 per cent) in 2020.
- ▶ Garment job losses in Asia during the pandemic were higher among youth (aged 15-24) than among adults, and higher among low-pay employees and self-employed than among high-pay employees.
- ▶ Continued (strict) public health measures in key garment producing countries led to declines in employment, hours worked and wages in the sector, often to a greater degree than other sectors (in the same countries).
- ▶ The crisis prompted governments to expand elements of social protection in the short term. The focus was typically on supporting enterprises through industry subsidies, income protection measures and special worker leave arrangements.
- ▶ While recognizing government efforts, industry stakeholders highlighted significant gaps in policy responses to the pandemic. The scale of economic support was in general deemed insufficient, while the distribution of crisis relief did not offset the hardships caused by the crisis.
- ▶ There are diverging views on the role of brands in providing social protection, as well as concerns about the pace of expansion of national social protection systems.
- ▶ The pandemic spurred new – and previously unfamiliar – stakeholder coalitions and initiatives which produced fresh proposals for reform to social protection and distribution issues in the supply chain. Although not without challenges, these initiatives provide momentum and precedent for future collaborative reform efforts in the garment sector.
- ▶ Many of the fragilities that left both workers and employers acutely exposed during the pandemic remain unresolved in the post-pandemic period, from the unequal balance of commercial risks in the supply chain to the inadequacies of social protection coverage in the sector. Moving forward, these remain critical areas of policy action to fully realize decent work in the garment sector, both in Asia and worldwide.

* This research brief was jointly written by Arianna Rossi, Christian Viegeln and David Williams. The authors gratefully acknowledge the research by Matthew M. Fischer-Daly, Jason Judd and Sarosh Kuruvilla at Cornell University's Global Labor Institute (GLI), undertaken in collaboration with the International Labour Organization (ILO) and published as ILO/IFC Better Work Discussion Paper No. 47, *Learning from Crisis: Apparel industry experts on mitigating the COVID-19 pandemic and future crises*, which provided the basis for some sections of this brief.

► Introduction

Background

The COVID-19 pandemic caused unprecedented disruption to the global garment industry, as the ILO documented in its October 2020 Research Brief *The supply chain ripple effect: How COVID-19 is affecting garment workers and factories in Asia and the Pacific* (ILO 2020a). A severe collapse in global apparel demand triggered widespread retail closures in consumer markets, together with layoffs and furloughs across the industry, affecting millions of workers and thousands of factories globally as well as across Asia.¹ During the early stages of the pandemic, the garment industry was among the manufacturing industries most harshly impacted by working hour and employment losses (ILO 2021a).

Now, more than three years on, the pandemic remains present, but life has largely normalized across Asia, with countries lifting earlier travel restrictions and reopening their economies. Exports have to a large extent recovered above pre-pandemic levels (see Box 1 below).

Nevertheless, while countries have for the most part moved beyond COVID-19 as an immediate emergency, actors across the global garment supply chain continue to feel some lasting impacts from the pandemic, which has in a variety of ways both accelerated and exacerbated longstanding trends already disrupting the sector (ILO, 2021b).

The attention in the garment industry has now turned increasingly to questions of how to build resilience in the post-pandemic recovery, as well as to the broader global economic outlook, which has become increasingly uncertain amid an expected recession driven by continued supply chain bottlenecks, high inflation and energy prices, US-China trade tensions, and geo-political and security risks such as the Russian Federation's aggression against Ukraine. This ever-evolving reality continues to impact demand in the garment industry and has therefore consequences for the future of work in garment producing countries, including in Asia and the Pacific.

Building on two earlier ILO Research Briefs (ILO, 2020a, 2021b) developed in collaboration with Cornell University's Global Labor Institute (GLI), the purpose of this third and final Brief is to provide both an update of the quantitative impact of COVID-19 on Asia's garment industry, and to bring new qualitative insights into how key industry stakeholders assessed the performance of the national and international pandemic responses in the garment industry.

Based on focus group discussions carried out by Fischer-Daly et al (2022) with thirty key informants representing governments, apparel brands and retailers, manufacturers and manufacturers associations, unions, and labour rights organizations from the region and beyond, the brief then describes some of the lessons learned during the pandemic for remediating its impacts, mitigating future crises, and advancing sustainability and inclusivity in the apparel sector.²

Governments across the region put in place a range of ad-hoc social protection measures, industry subsidies and other policies, in some cases targeted specifically towards the garment sector, to protect workers and enterprises against the fallout of the pandemic. The pandemic and the policy measures that were put in place to mitigate its adverse impacts raised some demands and expectations among key stakeholders for future policy action to increase the resilience of the industry against future crises and support decent job creation.

This Research Brief is organized along four sections. Section 1 describes trends in garment employment during the pandemic overall and for different sub-groups of workers. It also discusses trends in wages and working hours in the sector. Section 2 presents industry reflections on governments' responses to the pandemic, based on focus group discussions with key stakeholders of the sector. Section 3 summarizes the lessons learned. Section 4 concludes by offering some final reflections and policy recommendations.

¹ Unless noted otherwise, *Asia* in this brief includes the sub-regions East Asia, South-East Asia and South Asia. See <https://ilostat.ilo.org/resources/concepts-and-definitions/classification-country-groupings/> for more detailed information. Employment and other trends are analyzed based on these three subregions.

² This includes Bangladesh, Cambodia, India, Indonesia, the Netherlands, Pakistan, Sri Lanka, the United Kingdom, and the United States.

► COVID-19 and garment jobs: Has there been a recovery?

3.7 million garment jobs were lost in 2020, with only partial recovery in 2021

In 2021, nearly 71 million workers in Asia were employed in the garment industry, accounting for around 75 per cent of global garment employment (figure 1).³ While this is about 2.3 million more workers than in 2020, owing largely to the re-opening of factories and the recovery of global consumer demand for garments, this gain in employment was not sufficient to offset the unprecedented 3.7 million employment loss that the region's garment industry experienced in 2020. The share of garment employment in total employment remained unchanged at 3.8 per cent in 2021, indicating that the partial recovery in garment employment was broadly in line with the partial recovery of total employment. Nearly one in four manufacturing workers in Asia had a job in the garment industry in 2021, making it the largest manufacturing industry in the region.

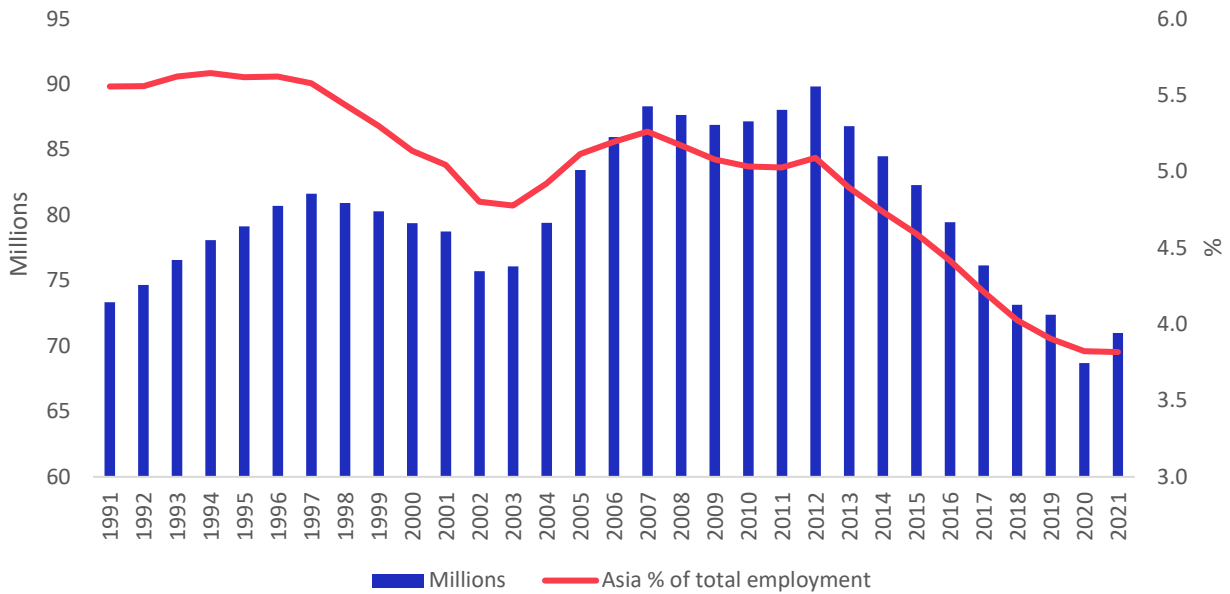
In relative terms, the 3.7 million employment loss in the garment sector in 2020 corresponds to a loss of 5.1 per cent of all garment jobs in 2019. This is a significantly heavier toll on employment than the 3.6 per cent job loss in the whole manufacturing sector of Asia or the 3.1 per cent job loss in the total economy of Asia. Not only job losses in 2020 were more severe, but also the recovery in 2021 was less pronounced in the garment sector than elsewhere. The gains of 2.3 million jobs in 2021 correspond to an increase of 3.3 per cent relative to 2020. This is less than the job gains of respectively 4.4 and 3.5 per cent in the whole manufacturing sector of Asia and the total economy of Asia.

The COVID-19 crisis came at a time when garment employment in Asia had been already on a continuous downward trend, driven by a strong decline in employment in East Asia, in line with a gradually shrinking reliance on Chinese garment and footwear production and exports (ILO, 2021). Garment employment in East Asia had peaked in the 1990s, estimated at above 60 million and accounting for nearly 8 per cent of total employment in the sub-region, but it has gradually decreased over time to 28 million or just above 3 per cent of total employment in 2021 (figure 2). Economies in South-East and South Asia had benefitted from the pull-out of production from China, realizing employment gains, and accounting for increasing shares of global garment employment (figure 4). However, these gains were only partially able to replace the employment reductions in East Asia, which could be a sign that some of the labour-intensive production might have been automated. Some of the employment might have shifted outside Asia, even though garment employment in the rest of the world has overall remained relatively stable over the past decade.

While the Asian garment sector experienced heavy employment losses in 2020, there were considerable employment gains in 2021, leading to a partial recovery in employment (figure 3). This pattern was to a large extent driven by East Asia whose employment decline was much less pronounced during the pandemic than over the years before. Another driver were employment gains in South-East Asia and South Asia. The latter region, however, has by far not been able to recover the employment loss of nearly 8 per cent seen between 2019 and 2020.

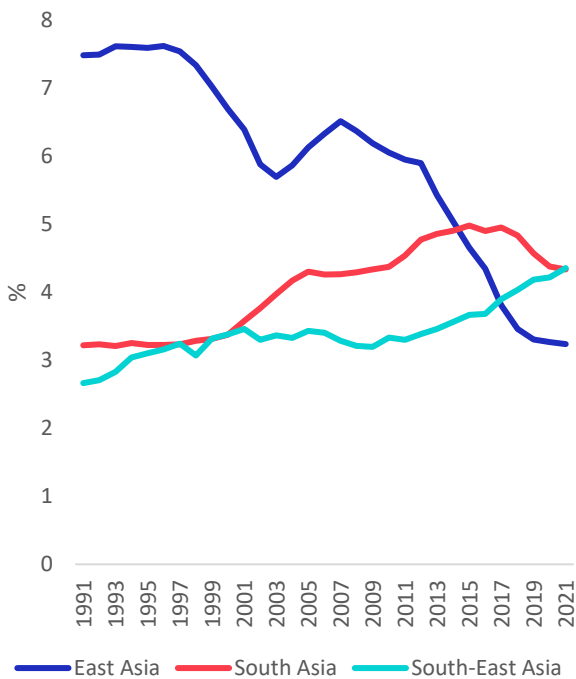
³ Global garment employment in 2021 is estimated at 94 million, of which nearly 60 per cent are women.

► **Figure 1. Employment in the garment industry in Asia (millions/% of total employment)**



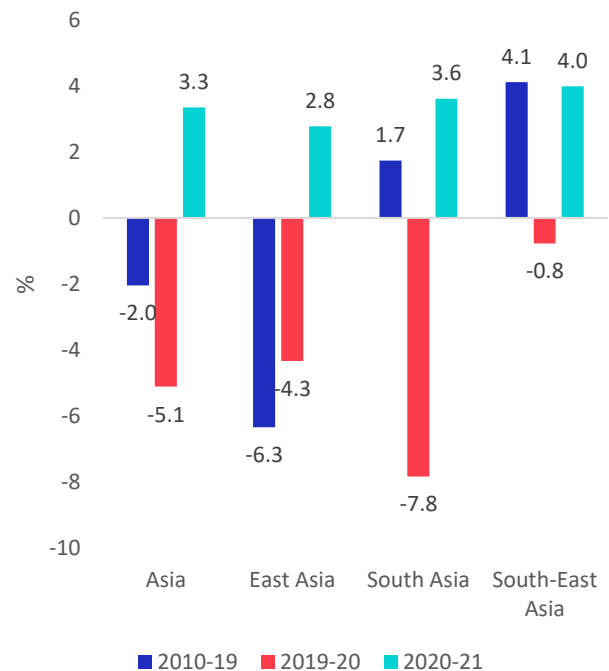
Source: ILO sectoral modelled estimates, November 2022.

► **Figure 2. Employment in the garment sector, Asia, by subregion (% of total employment)**



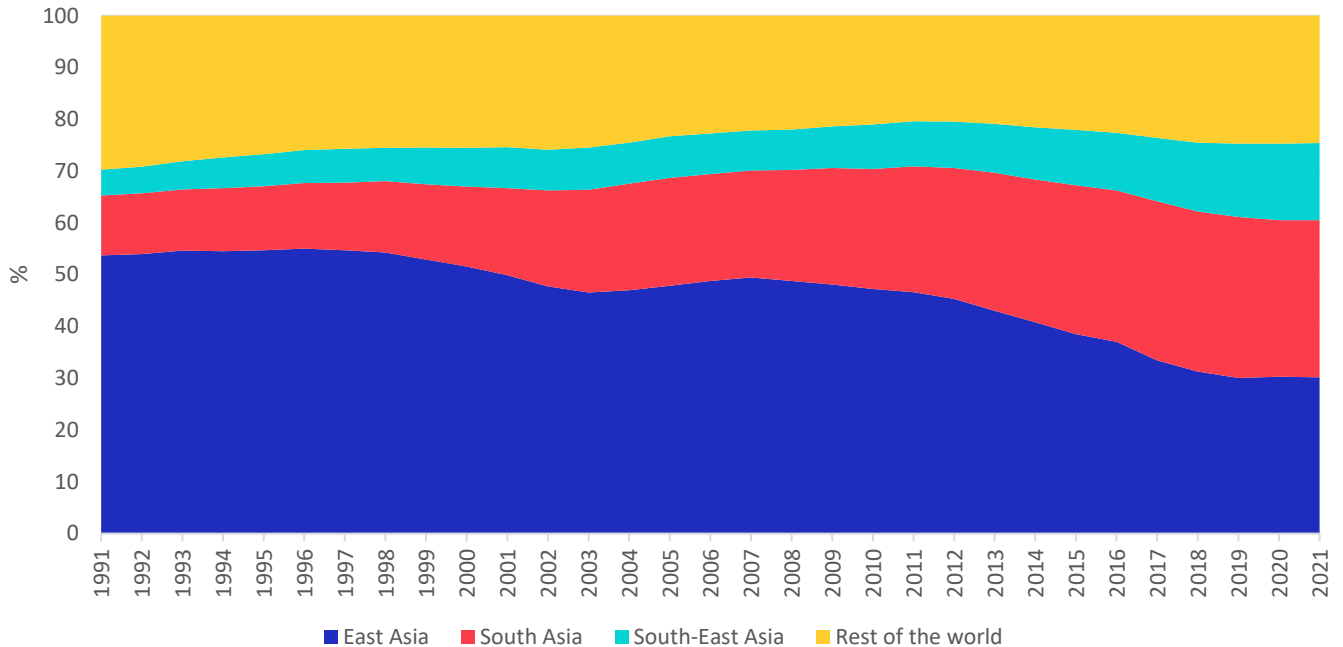
Source: ILO sectoral modelled estimates, November 2022.

► **Figure 3. Average annual garment employment growth in Asia, selected periods (%)**



Source: ILO sectoral modelled estimates, November 2022.

► **Figure 4. World employment in the garment sector, by subregion (%)**



Source: ILO sectoral modelled estimates, November 2022.

Box 1. Has there been a recovery in garment exports from Asia?

International trade in garments was hugely impacted by the COVID-19 pandemic. In early 2020, as governments in the region ordered non-essential workplaces to close in order to contain the spread of the pandemic, also garment factories across the region were forced into lockdown. Rapidly declining global consumer demand for garments caused major brands to cancel orders, leading to a collapse of Asian countries’ garment exports (ILO, 2020). However, from late 2020 onwards, the garment industry experienced a gradual recovery, driven by a variety of factors including increasing consumer demand in some of the major markets, vaccination progress as well as more targeted public health measures as response to the different waves of the pandemic, which have allowed garment factories to operate without any interruption in most countries.

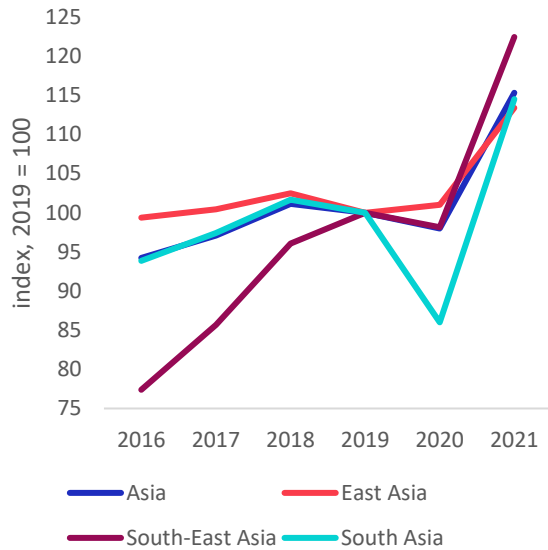
Exports have shifted between different countries and sub-regions during the pandemic. South-East Asian exports had been on a steeply increasing trend up to 2019, which was sharply disrupted by the pandemic. Taking 2020 and 2021 together, however, South-East Asia remained the subregion with strongest export growth in Asia (figure B1A). In 2021, the region’s value of exported garments was 22 per cent above 2019 levels. Viet Nam was one of the key drivers of export growth in the sub-region (figure B2). South Asia was the sub-region in which garment exports were most heavily impacted in 2020, with a decline of 14 per cent relative to 2019. However, in 2021, South Asia saw a quick recovery, with garment exports standing 15 per cent above 2019 levels. The main driver of garment export growth was Pakistan, while Bangladesh lost some of its importance as garment-exporting country during the pandemic. East Asia had seen stagnating exports over the years before the pandemic but saw its exports growing throughout 2020-21. Exports in these two years were at nearly 6 per cent higher levels than in the two years before, 2018-19. Main driver for the favourable developments in this sub-region was China, which was able to avoid long-lasting closures of garment factories throughout these two years.

In 2021, 56 per cent of Asia’s garment exports came from China. Viet Nam, India and Bangladesh were the next most important exporters, accounting for respectively 11, 7 and 6 per cent of Asia’s garment exports (figure B1B). Hence, these four countries together accounted for 80 per cent of garment exports in 2021.

Figure B1. Garment exports of Asia

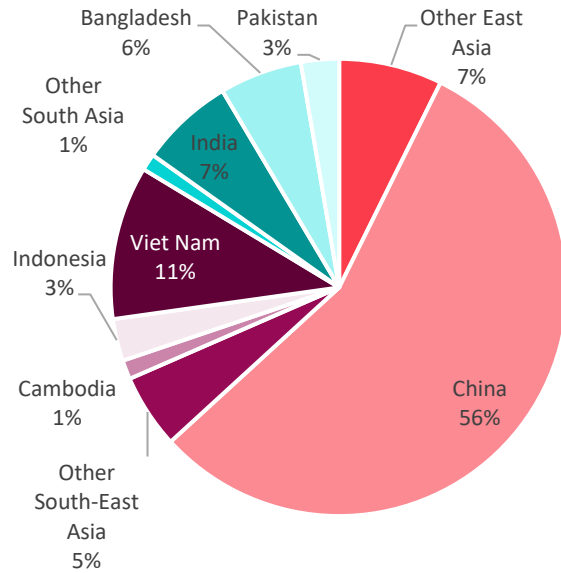
A. Total and by sub-region, 2016-21

(index, 2019 = 100)



B. By sub-region and main exporter countries, 2021

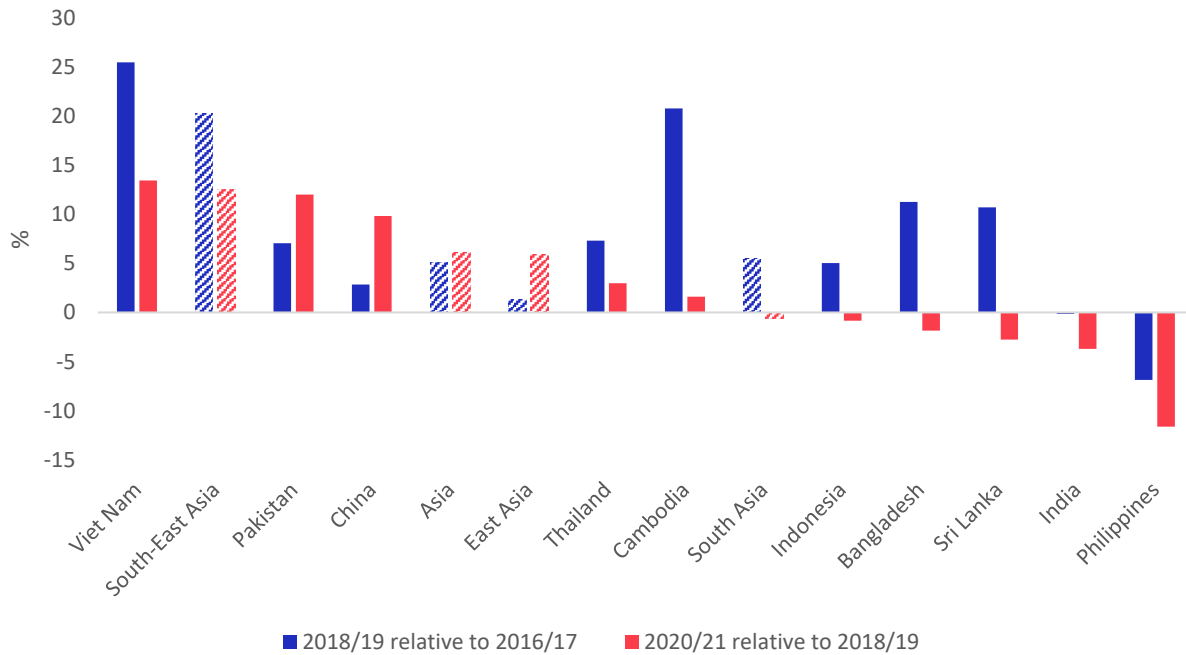
(% of total)



Note: Garment exports include exports of products with SITC codes 26, 65, 84 and 85.

Source: ILO calculations based on UNCTAD.

Figure B2. Bi-annual growth in garment exports, selected countries and country groups within Asia-Pacific, selected time periods (%)



Note: Garment exports include exports of products with SITC codes 26, 65, 84 and 85.

Source: ILO calculations based on UNCTAD.

Women and young workers saw the biggest employment losses

Not all workers in Asia were affected equally by the pandemic, and the size of the impact differed between different sub-groups of workers (figure 6). The garment industry is characterized by a high share of women workers employed (figure 7). Overall, 42 million garment workers in Asia are women. More than three in four workers in East Asia and more than two in three workers in South-East Asia are women. This figure is just above one in three in South Asia, but – given the generally very low rates of female labour force participation in this subregion (ILO 2022a) – this still makes it one of the sectors with the highest shares of female employment.

During the COVID-19 pandemic, women workers saw significantly higher impacts than their male counterparts in the industry, with employment dropping by 6.9 per cent in 2020 and remaining 4.2 per cent below pre-crisis levels in 2021. In contrast, male employment dropped by only 2.5 per cent in 2020 and was 1.5 per cent higher in 2021 than in 2019. Most of the gender difference is driven by South Asia, where women suffered employment losses of about 16 per cent in 2020, with only a modest recovery in 2021.

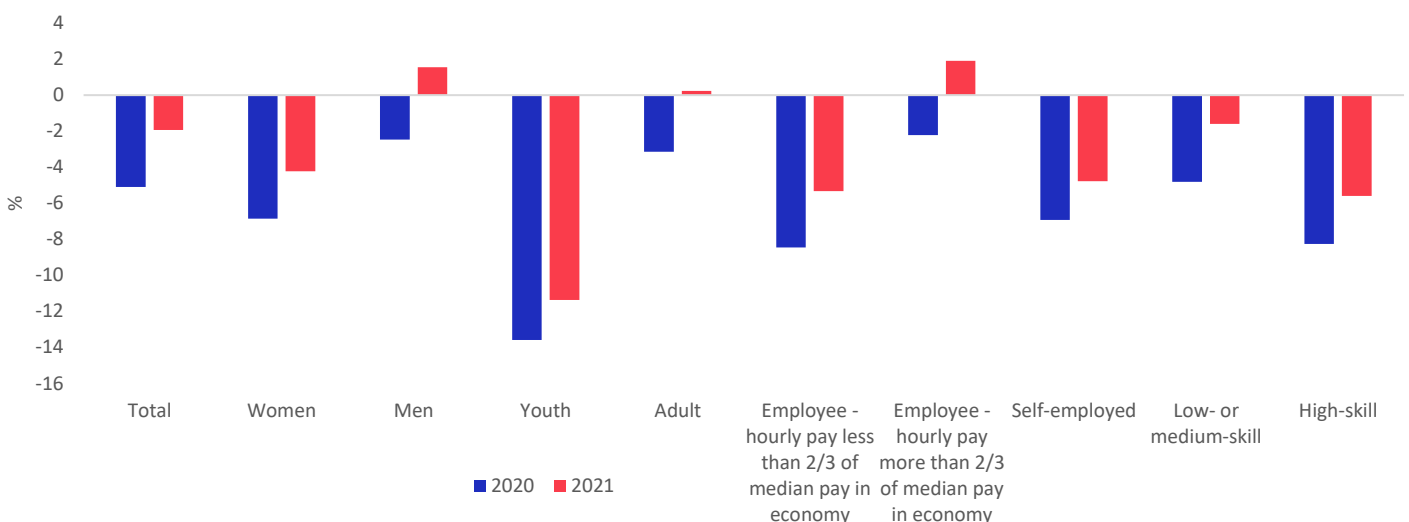
One key factor that helps explain the disproportionate negative impact on women relative to men is the unequal distribution of increased unpaid care demands, that became acute due to caring for sick relatives and

especially when schools and kindergartens were closed due to COVID-19-related lockdown measures imposed by governments. Moreover, women migrant workers returned to their home communities during the crisis and were unable or unwilling to return to the urban areas where garment production is located after the lockdowns were lifted.

The pandemic also caused comparably higher job losses and lingering impacts among young garment workers in the age group of 15 to 24 years, with barely any recovery for these workers in 2021. Moreover, the self-employed and those earning less than two thirds of the hourly median wage in the country suffered from significantly higher impacts than those earning above that threshold, indicating that in the garment sector, the pandemic had a disproportionate impact on those who were already vulnerable before the crisis.

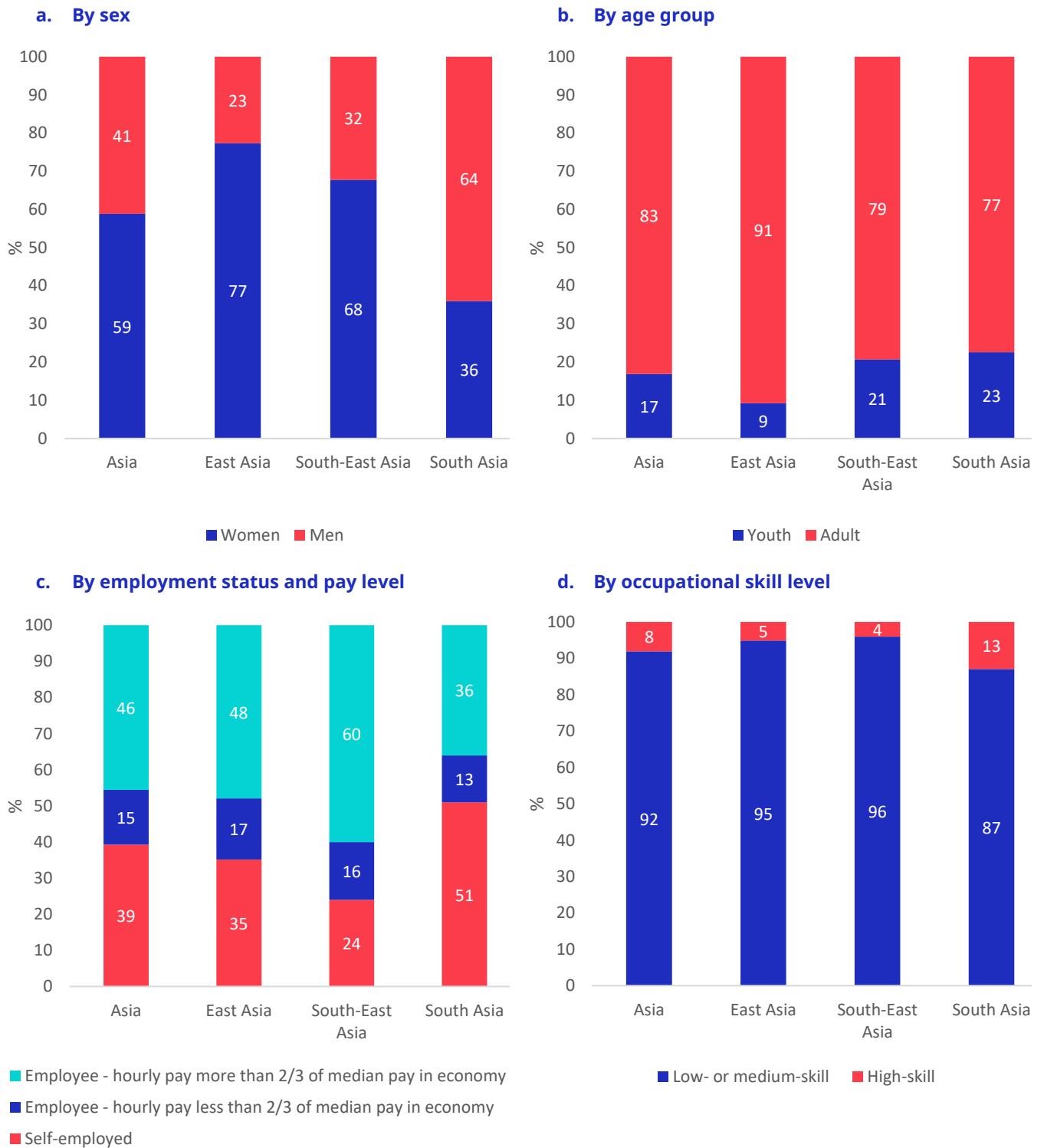
The vast majority of workers in the garment industry work either as plant and machine operators and assemblers or as craft and related trades workers, which are both medium-skill occupations. Taken together, workers in low- or medium-skill occupations account for 92 per cent of the total garment workforce in Asia. The pandemic affected both workers in low- or medium-skill occupations as well as workers in high-skill occupations. In relative terms, employment losses were larger among the high-skilled, indicating that there were also significant job cuts among managers, professionals as well as technicians and associate professionals.

► **Figure 6. Employment in the garment sector, Asia, different sub-groups of workers (% change since 2019)**



Source: ILO sectoral modelled estimates, November 2022.

► **Figure 7. Employment in the garment sector, Asia, 2021, different sub-groups of workers (% of total garment employment)**



Source: ILO sectoral modelled estimates, November 2022.

Workers faced significant losses in working hours and wages

The pandemic's impact in the sector was not only felt in employment, but also in terms of working hours and wages. This is illustrated in labour force survey data from the Philippines, Thailand and Viet Nam (figures 8 and 9). The role of the garment industry differs in these three countries: it is only a relatively small employer in the Philippines and Thailand, accounting for 3 per cent or less of total employment. In contrast, Viet Nam is one of the world's largest garment producers and exporters (see above, Box 1 figure B1B), and the sector employs nearly one in ten workers within the country, including a high share of women.

In the Philippines, garment employment dropped by about 32 per cent in the second quarter 2020, relative to the fourth quarter 2019. In the first quarter 2021, it was even by 42 per cent lower than in the last quarter before the crisis. By the third quarter 2021, employment had partially recovered, but remained 15 per cent below pre-crisis levels. While these employment losses in the garment industry were already sizeable and larger than the employment losses in other sectors of the economy, overall hours worked in the garment industry declined by even more. For example, in the second quarter 2020, when health-related measures implemented by the government were most stringent⁴, hours worked decreased by a staggering 85 per cent relative to before the pandemic. This includes reductions in working hours due to employment losses as well as reduction in working hours of those that managed to remain in employment but worked less. Hence, in that quarter, a garment worker that used to work 40 hours a week before the crisis in the Philippines, on average only worked 6 hours a week in the second quarter 2020.

The average real wage in the Philippines garment industry performed better than the economy-wide or manufacturing average wage, indicating that the main margin of adjustment to the crisis was the quantity rather than the price of labour. Some of this positive wage trend, however, was driven by compositional effects, as it was predominantly lower wage workers that lost their job.

In Thailand, garment workers saw employment and working hour losses that were significantly stronger than

losses experienced by other manufacturing sectors. In the third quarter 2020, garment employment reached its lowest point in 2020 at 18 per cent below pre-pandemic employment. Working hours in that quarter were by 24 per cent lower. Over the course of 2021, employment and working hours declined even further, reaching their lowest point in the first quarter 2022, at 25 and 30 per cent respectively below pre-pandemic levels. In Thailand, also the real average wage in the garment industry declined, by about 4 per cent in 2020, with only modest recovery in 2021 and 2022. In Thailand, garment manufacturers hence adjusted to the crisis by reducing both the quantity and the price of labour.

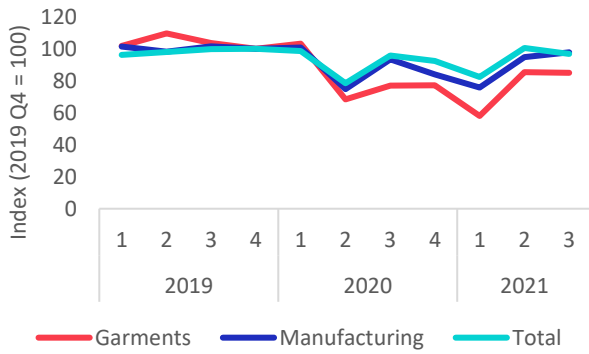
Viet Nam saw yet a different type of adjustment to the crisis. Employment in the garment industry was even on an upward trend during the crisis, standing at a more than 13 per cent higher level in the third quarter 2022, relative to the same quarter three years before. In terms of employment, the garment industry performed better than other industries in the Vietnamese economy. However, actual hours worked suffered from a severe temporary drop in the third quarter 2021, which was the quarter in which Viet Nam experienced its first significant wave of COVID-19 infections. In this quarter, 25 per cent less hours were worked in the garment industry than pre-pandemic. Hours worked partially recovered in the fourth quarter 2021 and continued to recover throughout 2022, standing 10 per cent above pre-crisis levels.

Wages paid in the garment industry in Viet Nam took a severe hit in 2021, as Viet Nam faced its hardest COVID-19 lockdown with associated business closures. Real wages in the garment sector fell by 8 per cent in that year, compared with 2019. This drop in wages was more severe than in other manufacturing sectors and the overall economy. Workers in the garment industry did not lose employment, as COVID-19-related lockdowns only took place in 2021, when global consumer demand for garments had already largely recovered. Consequently, the negative impact on working hours and wages is observable concomitant to these temporary factory closures but has not been long-lasting. In 2022, real wages in Viet Nam's garment sector recovered fast, and have been – during the first three quarters of 2022 – on average about 4 per cent higher than before the pandemic.

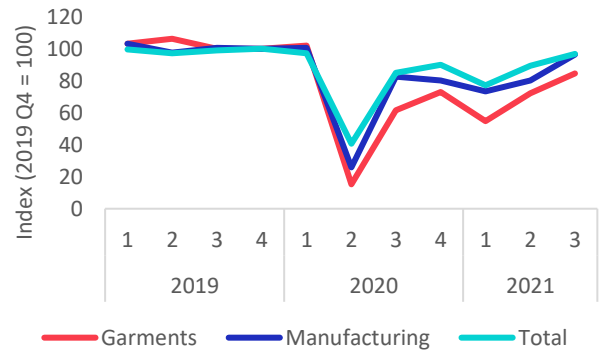
⁴ See University of Oxford's [COVID-19 Government Response Tracker](#).

► **Figure 8. Employment and hours worked in the garment sector, selected Asian countries** (index: 2019 Q4 = 100)

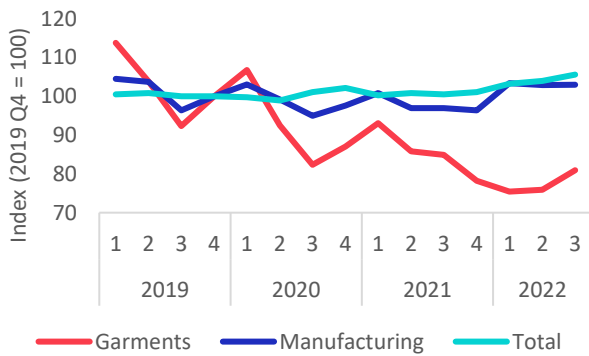
a. Employment, Philippines



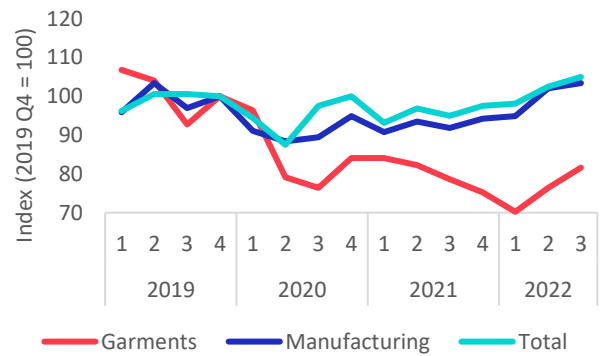
b. Hours worked, Philippines



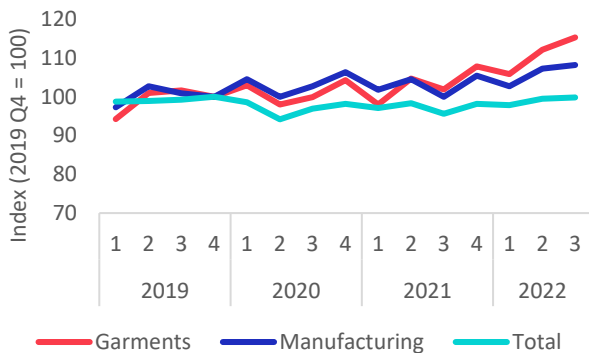
c. Employment, Thailand



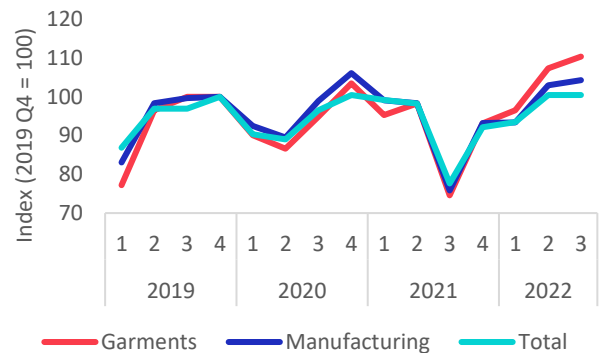
d. Hours worked, Thailand



e. Employment, Viet Nam

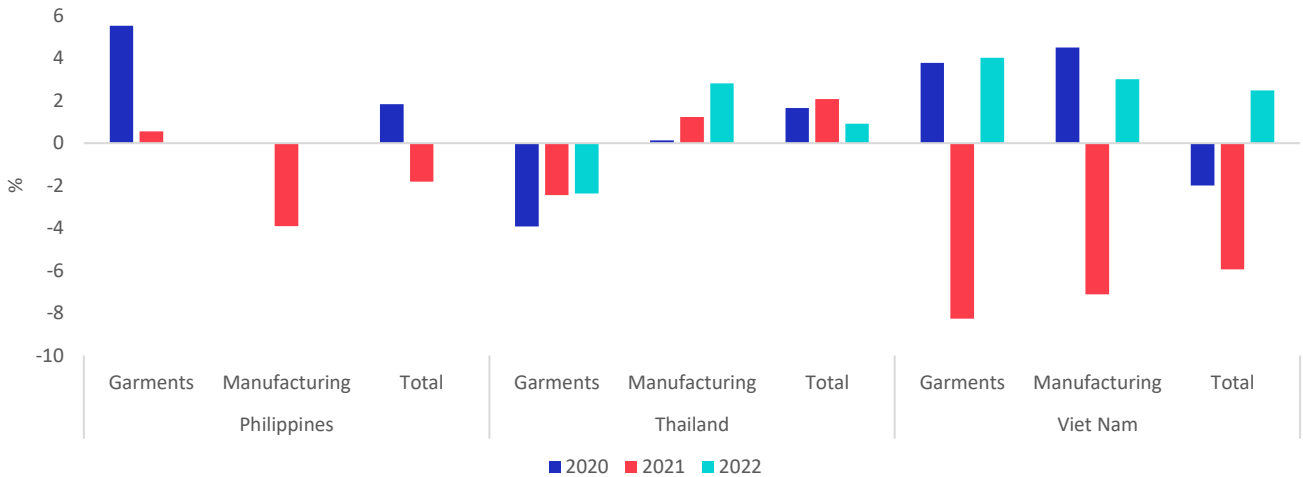


f. Hours worked, Viet Nam



Source: Calculations based on ILO Microdata Repository.

► **Figure 9. Real average wage of employees in the garment sector, selected Asian countries (% change relative to 2019)**



Notes: For the Philippines, the 2021 data point consists of the average of the first three quarters of the year only, and the 2022 data point was not yet available at the time this brief was prepared. For Thailand and Viet Nam, the 2022 data point consists of the average of the first three quarters of the year only.

Source: Calculations based on ILO Microdata Repository for data on nominal wages and IMF World Employment Outlook, October 2022, for data on consumer price inflation used to deflate nominal wages.

Lost income led to food shortages in some countries

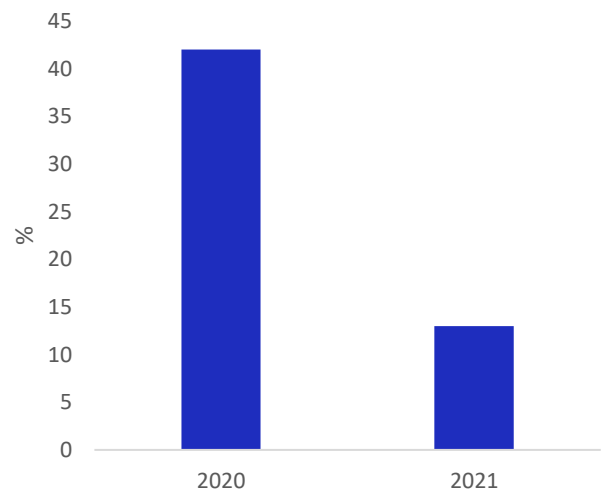
Factory layoffs, together with reduced hours and wages across the garment industry led to substantial income losses for millions of households across Asia.

According to a survey of garment workers in 456 factories in Bangladesh, 42 per cent reported having less food than before the pandemic in 2020; and while this share dropped a year later (in 2021), it remained significant at 13 per cent (figure 10). One contributing factor was the share of workers without work, which increased from 5 per cent in 2019 to 13 per cent in 2020 and 17 per cent in 2021. These figures demonstrate the drastic impact that the crisis has had on the livelihoods of garment workers and their families.

Overall, the share of workers living in extreme or moderate poverty (below US\$ 3.20 PPP) has increased during the pandemic, especially in South Asia, where this share jumped from 35 per cent in 2019 to 38 per cent in 2020, and back to 35 per cent in 2021, disrupting years of

continuous improvements.⁵ Also South-East Asia has seen a small increase in working poverty.

► **Figure 10. Share of garment workers indicating to have less food than before the pandemic, Bangladesh (%)**



Source: Better Work and Garment Worker Diaries.

⁵ ILO modelled estimates, November 2022.

► Industry reflections on government pandemic responses

Social protection systems were mobilized, but the pandemic revealed their pre-existing shortcomings

The extensive adverse impacts of COVID-19 on millions of workers and thousands of enterprises in the region presented a major test of government policy responses and prompted what ILO has observed as the “largest mobilization of social protection measures [worldwide] ever seen” (ILO 2022b). In countries with large garment sectors (many of them in Asia), governments scaled up existing social protection programs and launched new *ad hoc* measures to help the industry deal with the adverse impacts on employment, working hours and incomes (see previous section).

No interventions functioned seamlessly, and while the crisis exposed gaps in policy, coverage and delivery, government actions during this time did help galvanize domestic political support for social protection and model approaches that could potentially be continued and expanded in future. While pre-pandemic policies on unemployment insurance and severance pay varied across the region (table 1), governments faced renewed calls during the crisis to scale and improve these provisions,

both in the short and long term, with a view to protecting people from income and employment shocks.

Economic and public health responses typically fell into four main categories: worker income support, employment protections, worker leave, and industry subsidies (table 2). Most policies were designed to apply across the whole manufacturing sector, except in Bangladesh, Cambodia, and Sri Lanka where owing to the sector’s particular importance, policies were aimed at the garment industry specifically.

As part of its ‘Omnibus Law’, the Indonesian government enacted legislation in late 2020 to implement an unemployment insurance system, which included a lump sum ‘unemployment’ payment equivalent to 45 per cent of wages for the first three months of unemployment and 25 per cent for the next three months (from a government-funded unemployment social security insurance fund). However, the system is notable insofar as it does not require either employer or worker contributions (Izzati, 2021; Judd, Kuruvilla and Jackson, 2022).

The Bangladeshi government, meanwhile, initiated tripartite discussions early in the pandemic, and in 2022 announced plans to gradually introduce insurance programs for unemployment, maternity, sickness, and occupational injury (*Bangladeshi Post*, 2022).⁶

► **Table 1: Unemployment and severance programs in place when COVID-19 broke out, selected countries**

Country	Unemployment	Level	Duration	Severance	Severance amount
Bangladesh	No	NA	NA	Yes	30-45 days per year of service
Cambodia	No	NA	NA	Yes	15 days full wages per year of service
India	Yes	50% mo. wage	1 year	Yes	15 days full wages per year of service
Indonesia	No	NA	NA	Yes	1 mo. full wages per year of service
Pakistan	No	NA	NA	Yes	1 mo. full wages per year of service
Sri Lanka	No	NA	NA	Yes	0.5 mo. full wages per year of service
Vietnam	Yes	60% mo. wage	3-12 months	Yes	15 days wages plus one mo. per year of service

Sources: WageIndicator, DecentWorkCheck.org, 2020; ILO COVID-19 Country policy responses, 2022.

⁶ Article 15d of the Constitution of Bangladesh (1972) establishes a national government responsibility for securing social protections, including UI, for citizens.

► **Table 2: Overview of government responses to COVID-19, selected countries⁷**

Country	Income/wage payments, support ⁸	Employment protection	COVID-19 related worker sick leave	Industry liquidity, subsidy
Bangladesh	60 per cent of wages to be paid for furloughed workers in April-July 2020 (Apparel Resources News-Desk, 2020), which corresponds to US\$57 based on current minimum wage of US\$95 per month for the ready-made garments sector	Employers were not to terminate any worker before Eid holiday at end of July 2020 (Apparel Resources News-Desk, 2020)	Workers ordered to stay in factory areas during Eid festival (Ovi, 2020)	Government and private lending for wage payments until March 2021, at below-market, subsidized interest rates with two-year repayment (Udin 2020; Hesani, 2020)
Cambodia	Government to pay US \$40 per month and requests the payment of US\$30 per month from employers until end of September 2020 for suspended workers, which together corresponds to 37 per cent of the garment sector minimum wage (US\$190)	Worker contract suspension terms eased, partial wage payments maintained, and social insurance contributions suspended until Oct 2020 (DFDL, 2020a; Sutrisno, 2020)	Workers can receive paid sick leave with a doctor's note; will receive 100 per cent of wages during first month, 60 per cent during months 2-3, months 4-6 are unpaid (FLA, 2020)	Reduction (30 per cent) of corporate income tax payments up to 12 months (Feb 2020) (Medina, 2020a)
India	Food rations for poor, permission of early withdrawal of from Employee Provident Fund, 3-month reduction of EPF contributions (ILO, 2021)	Employer subsidy of 12 per cent of EPF employee & employer contributions; No-termination, no-wage reduction advisory issued to employers; No order cancellation request issued to apparel retailers		Liquidity and credit support to businesses (May 2020), 5-month moratorium on loan payments, credit facility for MSMEs, production incentive for textiles (ILO, 2021)
Indonesia	Social Security agency wage supports paid for 3 months, varying by province; West Java set a US\$68 equal to 55 per cent of the minimum wage (ILO, 2020I)	n/a	Sick leave at 100 per cent of wage for 4 months for suspected or actual COVID-19 cases	Reduction of corporate (30 per cent) and worker (100 per cent) income taxes for 6 months (Oct 2020) (Medina, 2020b)
Pakistan	Wage supports of US\$18 provided to dismissed workers (Haider, 2020); although the government decreed that lay-offs are prohibited during lockdown with workers entitled to full minimum wage (ILO, 2020I)	National government issued "no lay-off" order and full salary payments by employers during closure/lockdown (ILO, 2020I)	Sick leave of 16 days at 50 per cent of pay and 10 days of casual leave with full pay (Rehman, 2020)	Government offers loan deferrals and interest rate reductions for employers maintaining workforce and payroll (BR Web Desk, 2020)
Sri Lanka	Days lost to COVID-19 impacts paid at 50 per cent of basic wage or at least US\$78 (SM Web Desk, 2020); current minimum wage in garment sector is between US\$66 and US\$82	n/a	n/a	FTZ and export processing designated "essential" and hence exempted from lockdown (Illanperuma, 2020)
Viet Nam	Dismissed workers receive VND 1 mil. (US\$43/mo.) for 3 months; furloughed workers receive VND 1.8 mil. (US\$77 per month) plus employers' match; total wages must exceed 85 per cent of reg. min. wage	n/a	Leave without pay in lieu of lay-offs	Employers receive tax breaks, including delayed tax and land-use fees payments for five months; interest rates reduced by 0.5-1 percentage points; suspended social benefit contributions

⁷ Responses from constituent focus groups convened by ILO and Cornell University in June-July 2022.

⁸ Data on minimum wages are taken from the WageIndicator minimum wage rates, available at: <https://wageindicator.org/salary/minimum-wage>.

Financial measures were deployed to keep the industry afloat

Governments in Asia also introduced various ad hoc measures to keep capital flowing in (or to) the apparel industry, including debt payment deferrals, interest rate reductions, credit lines and various forms of tax relief and tax holidays. At the same time, in Cambodia the garment industry was omitted from new access to finance and business loan restructuring support – perhaps out of recognition that most manufacturers in the sector are foreign-owned and therefore may have offshore sources of capital.

What did industry actors make of the responses?

Fischer-Daly et al (2022) organized a series of focus group discussions with key industry informants in mid-2022 to understand how pandemic responses, especially government-driven, had been received. Four main themes emerged from these discussions.

1. Industry stakeholders are largely united around the need for **social protection**, but the pandemic revealed diverging views over the roles and responsibilities of the state versus the private sector in this endeavour. Indeed, whilst most governments recognize the state's duty to provide adequate social protection, brands too faced growing calls during the pandemic to play a (bigger) role in supporting workers and manufacturers in their supply chain. And while such demands were indeed met with new investments from some major brands during this time, many remain uneasy with the notion or expectation that this should be an enduring brand responsibility.

It was noted that whilst planned improvements and expansion of social protection systems are already underway in various countries, there is little evidence that the pandemic has accelerated the general pace of development. As such, many remain fearful that the region will face another crisis before it has adequate social protection for all.

As the pandemic now recedes, social protection could still be advanced in several ways in the sector, including through industry-level approaches that integrate social protection

participation into human rights due diligence rules, or through specific provisions in trade deals and binding agreements in the sector along the lines of the Bangladesh Accord for Fire and Building Safety. Proposals can be also informed by initiatives such as *Pay Your Workers-Respect Workers Rights*, which make a long-term case for industry reforms with stronger social protection at the core (Judd et al., 2022).

2. There were significant **policy gaps**. Lockdowns that included transportation systems left many migrant workers unable to go home or return safely to factories when manufacturing re-opened, most notably in India. The absence of a legal mechanism supporting furloughs and an unemployment insurance system in Sri Lanka meant that constituents spent the early months of the pandemic working out a partial system.
3. Most discussants agreed that the **distribution of crisis relief had been inadequate** across Asia, blighted by an absence of pre-existing (state) disbursement mechanisms, and gaps in coverage for many businesses and workers. This was particularly so for informal workers in partially or totally unregistered businesses (and was less true of workers in legally registered businesses), whose status meant they were not captured in the (official) data used to make relief disbursement decisions.
4. Policymakers, workers and employers often agreed that the scale of **economic support was insufficient** to fully address industry needs during the pandemic. With many governments facing unprecedented fiscal constraints, state support to incomes and wages often fell short of minimum wage levels (table 2), while national social protection systems remained limited or partial at best.

Almost without exception, focus group interviewees expressed appreciation for government efforts to extend social protection in the garment sector, as well as other public-private initiatives such as worker vaccination campaigns. At the same time, union and NGO representatives also noted that support to businesses did not always reach workers, whilst also criticizing governments for not speaking out against 'irresponsible' brand practices such as abrupt and uncompensated order cancellations (particularly in the early months of the pandemic).

► What are lessons learned from the pandemic response?

Coalitions and collaborations are still being tested in the aftermath of the crisis

In April 2020, the ILO, International Organisation of Employers (IOE), and International Trade Union Confederation (ITUC) issued a “Call to Action” to catalyse action from across the global garment industry to support manufacturers and protect garment workers’ income, health and employment (ILO, 2020). The initiative -which is governed by a tripartite international working group- appealed to donor governments and international financial institutions to provide immediate relief to the industry (through access to credit for manufacturers and direct income support and unemployment insurance for workers, for example), whilst also seeking longer term commitments to expand social protection in the sector.⁹

To date, the Call to Action has not raised independent funds but has collaborated with EU and German government funding initiatives to support disbursement. Through these partnerships, national Call-to-Action committees have delivered wage subsidies to protect employment, direct payments to furloughed workers, training programs, and contributions to emerging social protection systems in Bangladesh, Cambodia, Ethiopia, and Indonesia.¹⁰

At the same time, the ability of the Call to Action to live up to its early expectations has been hampered by a variety of factors, including the voluntary nature of participation, a lack of enforcement provisions and obligations for members/participants, absence of an administrative secretariat, and funding shortfalls (Judd et al., 2022: 17-19).

In focus group discussions in Fischer-Daly et al (2022), stakeholders lamented these shortfalls, with some also noting that the Call to Action may have diluted bilateral

advocacy efforts between labour rights organizations and brands. Some argued that brands did not engage bilaterally, claiming they had already met their obligations by signing onto the Call to Action.

The aforementioned “Pay Your Workers-Respect Labour Rights” campaign was backed by more than 260 unions and NGOs (including those interviewed for this brief), with a focus on raising global funds for worker severance pay.¹¹ While national committees were created to disburse globally mobilised funds and bolster domestic social programmes, they did not include government actors or national (state-run) social protection systems. At the same time, some successes are evident, most notably in the US\$22 million that unions and NGOs say has been disbursed to date to affected suppliers.

Initiatives also emerged to challenge longstanding structural imbalances in the apparel supply chain, most notably through the Sustainable Terms of Trade Initiative (STTI). Formed between fifteen manufacturer associations with the help of the German Development Agency GIZ, the initiative aims to advocate for more balanced commercial relationships with global apparel buyers, with the goal of ensuring that purchasing practices that ‘do not cause obvious and avoidable harm to manufacturers.’ (STTI, 2021).¹² Having fostered closer links and exchange between sectoral associations in Asia, and having also launched a white paper for industry reform in 2022, it remains to be seen whether this solidarity and coordination can endure as competitive pressures (between countries) return in the post-pandemic era.

The pandemic also exposed the shortcomings of bipartite and tripartite social dialogue mechanisms both in the garment sector and at national levels, which undermined crisis responses in many countries. Linked to this, it also brought into sharp focus the importance of strong workers and employers’ organisations as the bedrock for

⁹ This working group is also supported by national level working groups convened by the ILO and comprised of employer and worker organizations.

¹⁰ See Judd et al. 2022, Table 6, for details on these activities.

¹¹ The proposal is designed to cover complete supply chains of the textile, garment, shoe and leather sectors. The proposed financial contributions by brands and retailers are twofold, a lump sum to pay back wages not paid during the pandemic and an annual contribution of 1.5 percent of freight-on-board (FOB) prices paid to manufacturers, and the proposed contribution by manufacturers is a to-be-negotiated percentage of their wage bill.

¹² The fifteen manufacturer associations are: API, Indonesia; VITAS, Vietnam; CNTAC, China; GMAC, Cambodia; MGMA, Myanmar; BGMEA and BKMEA, Bangladesh; AEPC, India; PHMA, PTEA, TMA, Pakistan; IHKIB and TCMA, Turkey; ECAHT, Egypt and AMITH, Morocco. For more information, please see: <https://sustainabletermsoftradeinitiative.com/wp-content/uploads/2022/02/2022-2-9-Purchasing-Practices-on-the-Rise-STTI.pdf>.

dialogue-based negotiation and solution-building during a crisis.

Stakeholders also noted that some of the ‘campaigns’ that emerged amid the pandemic (to mitigate its adverse impacts) did help drive international coordination within worker and employer groups. Uncommon before the crisis, this trend may also have helped to consolidate policy positions and encourage more solid social dialogue and bargaining in national garment industries.

Policy responses cannot be separated from commercial dynamics in supply chains

Whilst some participants noted that supply chain relationships had actually strengthened during the pandemic, a more commonly held view was that of deteriorating commercial terms between apparel buyers (i.e. brands and retailers) and Asian suppliers (i.e. factories), with significant impacts on workers.

In addition, the pandemic also prompted many brands to rethink their sourcing strategies, with (geographical) consolidation of supplier bases being among the most common measure adopted. In such cases, the manufacturers with the strongest and most strategically important relationships with brands stood to benefit most.

Finally, a proposal by workers’ representatives for a global severance fund has spurred wider discussions about (the importance of) social protection and who should pay for it. If taken up, such a proposal would more robustly challenge the conventional business model of the apparel industry, whilst also opening the door for the type of systemic shift outlined in the ‘Renegotiate’ scenario in Judd et al (2021).¹³ However, with manufacturers, brands and unions still taking different lessons (from the pandemic) about who should do what to help mitigate future crises, the industry still lacks the type of consensus that would be needed to allow that scenario to be fully and effectively realised.

Supply chain relationships were often fraught and sometimes renegotiated

Union and manufacturers. Workers’ relationships with manufacturers involved substantial tension mixed with brief collaborations. As order cancellations mounted in 2020, some manufacturers collaborated with labour organizations out of ‘common cause’, providing detailed information (about brands and orders) to support union advocacy. However, according to NGO representatives interviewed, this was for the most part short-lived: once orders started returning, the transparency largely stopped.

Relations also soured -according to union and NGO discussants- as production resumed, with reports of unionized facilities being prioritised for closure (amid selective factory re-openings), refusals to rehire union activists and pregnant workers, removal of bonuses, and heightened pressure to meet production quotas. (Also see Lebaron et al., 2021).

Unions, NGOs and brands and retailers. Interactions between labour organizations and brands and retailers heightened awareness of their respective bargaining power, although power disparities remained clear and obvious.

Although brands reported increased communication and constructive dialogue with unions and NGOs, some also noted that worker representatives already knew (at the outset of negotiations) they would not be able to secure full payment for all workers. As one brand manager observed “I don’t want to gloss over the fact that the brands and the tier one or two have [the strongest] bargaining [power].” This led some union representatives to question the very ‘sustainability’ of an industry that - despite its huge global profits- is unable to pay worker salaries for even one month after a shock halts production (Fischer-Daly et al, 2022).

Brands and investors. Another relationship brought into sharp relief by pandemic-related disruption is that between buyers and their creditors and investors. Behind brand decisions concerning orders was pressure from retailers and creditors to sustain cash-flow levels. Brand

¹³ The [renegotiate scenario](#) envisages an industry where changes to the structure, sourcing and governance are integrated and mutually reinforcing. This includes new buyer-supplier contract terms that address vulnerabilities and rebalance supply chain risks, greater inclusion and voice for workers in sector-wide agreements, and better public governance at national level (including labour inspection and enforcement of due diligence standards).

managers reported that they have less bargaining leverage with retailers after the pandemic than they did twenty or thirty years ago. In one manager's assessment, "that ultimately gets pushed to the weakest suppliers...nobody [in the industry] really benefits." Another brand manager pointed out, "[for] those of us who are publicly-traded, the rules of the game are that we're beholden to our shareholders, not to citizens."

Opportunities. The increased communication among sectoral business associations is new and comes amid growing post-Covid consolidation of apparel sourcing. Depending on the success of initiatives such as STTI, this trend may represent a positive step towards a more unified manufacturer voice in industry-wide policy discussions.

Similarly, cross-border coordination between unions and labour rights organizations (on issues like compensation for order cancellations and an industry-wide social protection proposal) could lead to stronger and clearer representation of workers in the industry after the pandemic.

At the same time, brands have also noted increased inter-brand communication to manage the fallout from the pandemic, whilst citing the International Accord (and former Alliance) as examples of concrete buyer coordination to address long term structural reform issues in the sector.¹⁴

Taken together, the increased coordination and emergence of new proposals on longstanding social protection and distribution issues provide both the momentum and opportunity for industry stakeholders to (better) convene and negotiate at the national and global levels.

Obstacles. The challenges to advancing policies for a more inclusive and sustainable post-pandemic apparel industry are difficult to over-state. Interviewed (representatives of) brands, unions, and NGOs recognised the pressure governments face to "remain cheap" by not introducing policies that could raise production costs and drive investors to competitors. This is exacerbated by the long-held philosophy in global apparel production that buyers need to "constantly find a lower price," as one manufacturing manager noted.¹⁵ In some cases, competitive pressures also translate into resistance by brands and retailers to (new) regulations, particularly policies that involve binding agreements with unions.

Another obstacle noted by all industry actors is the absence of clear parties and a forum for global, cross-party negotiations. Similarly, the fact that brands and retailers as a whole (and including rising new segments like e-retailers) have had limited real engagement in policy discussions over future industry governance means that efforts to advance a more just and efficient distribution of risks and costs in the supply chain may be undermined

► Reflections and policy recommendations

Due to its critical role as an engine of exports, employment and economic growth, the status of the garment industry remains a policy priority for (the promotion of) decent work and overall development across Asia. Previous briefs in this series have documented the severe impact the pandemic has had on the industry since 2020, as well as exploring possible trajectories for its recovery. This brief, meanwhile, has investigated how the garment industry in Asia is faring three years on from the start of the pandemic, and how policy measures and responses were received – and evaluated – by industry stakeholders. How has the industry evolved since 2020, and what lasting impacts are evident for decent work and wider industry sustainability?

Despite strong calls for fundamental reform to the industry's business model (the fragility and inequalities of which were widely documented during the pandemic), current trends suggest the garment industry is still yet to embrace the type of systemic rethink required to build a fairer and more inclusive future (the so-called 'renegotiate' scenario that would

¹⁴ See <https://bangladeshaccord.org/> and <https://www.bangladeshworkersafety.org/>.

¹⁵ Historically, this 'race to the bottom' philosophy has placed downward pressure on wages as policymakers and industry leaders have sought to retain a labour cost advantage over other competitor nations (or risk investor flight to those competitors).

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see structural changes to stakeholder relationships, sourcing and governance in the sector). The impact on job losses, wages, and working hours has been more severe for workers who were already more vulnerable, such as low skilled youth and women, often having their first job in the garment industry. As such, we observe that there is a growing risk of the crisis leading to increased inequality.

Notwithstanding acute fiscal constraints during the pandemic, many countries in Asia did adopt proactive policy responses to the crisis, while public and private initiatives also provided important relief and support (to workers in particular). Voices from the industry in Fischer-Daly et al (2022) reflected on these measures, focusing particularly on efforts aimed at upgrading and reforming social protection systems to support enterprises and workers. These efforts were on balance well-received by industry stakeholders, despite being often partial and largely inadequate at reaching the *most* vulnerable (such as workers in the informal sector).

Similarly, stakeholders did not single out any gender-transformative policy deployed in response to COVID-19, and did not discuss gender equality as a priority topic (despite it being a major subject of advocacy by unions and civil society during the crisis). This is telling in itself, given the high proportion of women workers in the sector and the disproportionate negative impact that they suffered amid the pandemic. Policymakers and industry leaders need to be more conscious of this bias and ensure that their actions in the recovery do not further exacerbate existing inequalities.

Social protection measures were at the centre of stakeholder discussions for this brief, acknowledging the role of governments -and of employer and worker contributions- in sustaining (and expanding) them. At the same time, stakeholders continue to debate the role of other actors, such as brands and international finance institutions, in financially supporting these efforts. Whilst their contributions to the short-term crisis response were widely credited in scaling up protections for workers in particular, disagreements remain over the role they will -or should- play in building and sustaining longer term systems of social protection at the national level.

The industry's recovery in Asia is also inextricably linked to the changing geographies of production, supply chain restructuring and consolidation, and the prospects of upgrading through -among other things- productivity growth and skills development. Also in this context, it is critical that policy measures are not gender-blind and instead *proactively* ensure that women workers can reap not just the benefits of having a garment job, but also the opportunities of viable career growth and progression within the sector.

Where will the garment industry in Asia go from here? Despite not fully reverting to pre-pandemic 'business as usual', it is clear that many lessons from that crisis are yet to be internalized or acted upon. As such, it remains far from the *renegotiate* scenario discussed in part two of this series.

While advocacy initiatives and stakeholder collaborations forged during the pandemic provide both the foundations and momentum for further industry reform (and indeed governance changes such as emerging due diligence and corporate accountability legislation in key export markets may further accelerate this), many of the fragilities that left both workers and employers acutely exposed during the pandemic remain unresolved, from the unequal balance of commercial risks in the supply chain to the inadequacies of social protection coverage in the sector.

In this context, the ILO's global policy framework to respond to the COVID-19 crisis remains valid and instructive (ILO 2020c). It articulated the need for considered policies in four areas: stimulating the economy and employment; supporting enterprises, jobs and incomes; protecting workers in the workplace; and relying on social dialogue for solutions (recognising the well-established links between institutionalized social dialogue and effective management of social and economic crises).¹⁶ As the crisis recedes but vulnerabilities persist, these priorities remain critical if countries are to protect key industries -and their societies at large- from future external shocks.

¹⁶ The ILO's global experience shows that countries with well-established traditions of social dialogue (through consultations, negotiation and cooperation) have tended to address economic and social challenges better and recovered faster from crises.

While governments have a duty to lead in these areas, industry collaboration will be vital in ensuring policies are effectively implemented and upheld, and that together, they ensure the recovery of the sector is both resilient and sustainable, and that it reclaims its role as an engine for growth and decent work across the region.

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